



National Aeronautics and
Space Administration
Washington, DC 20546

Procurement Notice

PN 04-42
August 31, 2009

NASA EXTERNAL AUDIT FOLLOW-UP SYSTEM

BACKGROUND: The NASA Inspector General (IG) recently completed Audit Assignment No. A-08-013-00 to assess NASA's implementation of the Defense Contract Audit Agency's (DCAA) audit recommendations to recoup questioned costs from NASA contractors. The IG identified an ambiguity in the NFS guidance related to the use of the word "all" in paragraph (d)(1) of Subpart 1842.7301 in referencing the audits that are to be entered into NASA's Corrective Action Tracking System (CATS). This NFS change addresses this IG finding. To clarify, all reportable audits for which NASA has resolution and disposition responsibility shall be input into CATS; reportable audits issued to DCMA on actions for which contract administration has been delegated are not subject to this requirement. DoD is required to track and maintain audits on actions for which contract administration has been delegated to the DCMA.

ACQUISITIONS AFFECTED BY CHANGES: None.

ACTION REQUIRED BY CONTRACTING OFFICERS: None.

CLAUSE CHANGES: None.

PARTS AFFECTED: Part 1842.

REPLACEMENT PAGES: You may use the enclosed pages to replace 42:13 and 42:14 of the NFS.

TYPE OF RULE AND PUBLICATION DATE: This change does not have a significant impact beyond the internal operating procedures of NASA and does not have a significant cost or administrative impact on contractors or offerors, and therefore does not require codification in the Code of Federal Regulations (CFR) or publication for public comment.

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Enclosures

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(b) The external audit followup system tracks all contract and OMB Circular No. A-133 audits where NASA has resolution and disposition authority. The objective of the tracking system is to ensure that audit recommendations are resolved within 6 months after receipt of the audit report and corrected as expeditiously as possible.

(c)(1) The identification and tracking of contract audit reports under NASA cognizance are accomplished in cooperation with the DCAA.

(2) Identification and tracking of OMB Circular No. A-133 audit reports are accomplished in cooperation with the NASA Office of the Inspector General (OIG).

(d)(1) All reportable contract audit reports as defined by Chapter 15, Section 6, of the DCAA Contract Audit Manual (CAM) for which NASA has resolution and disposition responsibility shall be entered into NASA's Corrective Action Tracking System (CATS), with the information updated at least quarterly until the audit recommendations are all resolved and dispositioned (see paragraph (e) (1) of this section). Reportable audits issued to DCMA on actions for which contract administration has been delegated are not subject to this requirement because DOD is required to track and maintain these audit reports; and

(2) Only OMB Circular No. A-133 audit reports involving the following shall be reported quarterly to the Headquarters Office of Procurement Analysis Division:

- (i) A significant management control issue; or
- (ii) Questioned costs of \$10,000 or more due to an audit finding (see Subpart E-Auditor, paragraph 510 of OMB Circular No. A-133).

(3) NASA contracting officers will maintain a dialogue with DOD Administrative Contracting Officers (ACO) who have been delegated activities on NASA contracts. A review will be conducted no less frequently than semiannually, and the status and disposition of significant audit findings will be documented in the contract file. During this review, NASA contracting officers should discuss with the ACO both prime and subcontract audit reports that have been delegated to DOD. Should these reports contain any findings or recommendations, the NASA contracting officer should obtain their status and document the contract file accordingly.

(e)(1) The terms "resolution" and "corrective action/disposition" are defined as follows:

(i) Resolution - The point at which the IG and Management agree on the action to be taken on audit report findings and recommendations.

(ii) Corrective action/disposition - Management action responsive to an agreed upon audit recommendation.

(2) The resolution and disposition of DCAA audit reports issued to NASA contracting officers are handled as follows:

(i) Audit findings pertaining to an individual NASA contract are the responsibility of the NASA contracting officer.

(ii) Audit findings impacting more than one NASA contract are the responsibility of the NASA contracting officer providing the preponderance of funding to the particular contractor for the contractor fiscal year covered by the audit report (lead contracting officer). The lead contracting officer should furnish a copy of the audit report to all NASA contracting officers with contracts impacted by the audit report. Those contracting officers should be provided the opportunity to participate in the negotiations or provide input into the negotiation strategy. At the conclusion of the negotiations, the lead contracting officer is to provide a copy of the negotiation memorandum to the DCAA office that issued the audit report, as well as to the contracting officers for the other impacted NASA contracts.

(3) The resolution and disposition of OMB Circular No. A-133 audits are handled as follows:

(i) Audit findings pertaining to an individual NASA award are the responsibility of the procurement officer for the Center that awarded the contract.

(ii) Audit findings having a Governmentwide impact are the responsibility of the cognizant Federal agency responsible for oversight. For organizations subject to OMB Circular No. A-133, there is either a cognizant agency or an oversight agency. The cognizant agency is the Federal agency that provides the predominant amount of direct funding to the recipient organization unless OMB makes a specific cognizant agency for audit assignment. To provide for the continuity of cognizance, the determination of the predominant amount of direct funding will be based on the direct Federal awards expended in the recipient's fiscal years ending in 1995, 2000, 2005, and every fifth year thereafter. When there is no direct funding, the Federal agency with the predominant indirect funding is to assume the oversight responsibilities. In cases where NASA is the cognizant or oversight Federal agency, audit resolution and disposition is the responsibility of the procurement officer for the Center having the largest amount of direct funding, or, if there is no direct funding, the largest amount of indirect funding for the audited period. A copy of the memorandum dispositioning the findings shall be provided by each Center having resolution responsibility for the particular report to the Headquarters OIG office, the Headquarters Office of Procurement Analysis Division, and each Center procurement office that has awards impacted by the dispositioned findings.

1842.7302 Reportable audit disposition documentation.

For each reportable audit provided by DCAA, the contracting officer shall submit disposition documentation to the office that provided the report.